**TENNESSEE GENERAL ASSEMBLY**
**FISCAL REVIEW COMMITTEE**

# FISCAL NOTE

## SB 163 – HB 1371

March 2, 2017

**SUMMARY OF BILL:** Exempts multiple employer welfare arrangements (MEWA) from paying premium taxes.

## ESTIMATED FISCAL IMPACT:

**Decrease State Revenue - $218,900/FY17-18**
**Exceeds $544,600/FY18-19 and Subsequent Years**

Assumptions:

- This bill will take effect upon becoming law.
- A MEWA is a single plan that covers the employees of two or more unrelated employers. In order to be a MEWA, multiple employers under a single plan cannot be substantially related through ownership or be part of a control group exhibiting substantial similarities.
- Based on information provided by the Department of Commerce and Insurance (TDCI), there is currently one identifiable MEWA that would no longer be required to pay life and health premium taxes under the provisions of this bill.
- The life and health premium tax rate is 1.75 percent.
- Based on information provided by the TDCI, this company is estimated to collect $12,506,000 in premium payments in FY17-18 and amounts exceeding $19,694,000 in FY18-19 and subsequent years.
- Exempting this company from paying premium taxes will result in a decrease in state revenue of $218,855 ($12,506,000 x 1.75%) in FY17-18, and a recurring decrease in state revenue of $344,645 ($19,694,000 x 1.75%) in FY18-19 and subsequent years.
- According to the TDCI, the premium tax exemption created by this bill will result in additional MEWAs being incentivized to form in order to be able take advantage of the tax exemption created by this bill.
- Beginning in FY18-19, at least one additional MEWA is expected to be formed each year as a result of this bill. This MEWA will be created in order to decrease the participating employers' premium tax liability; therefore, the decrease in revenue is not considered forgone, but additional recurring decreases in state revenue. The additional recurring decrease in state revenue beginning in FY18-19 is reasonably estimated to exceed $200,000 per year. However, such amounts could grow exponentially in out years.
- The decrease in state revenue in FY17-18 is estimated to be $218,855.

- The recurring decrease in state revenue beginning in FY18-19 is estimated to exceed $544,645 ($344,645 + $200,000).

## IMPACT TO COMMERCE:

**Decrease Business Expenditures - $218,900/FY17-18**
**Exceeds $544,600/FY18-19 and Subsequent Years**

Assumptions:

- This bill will result in MEWAs in this state being exempt from paying premium taxes.
- The decrease in business expenditures is estimated to be $218,855 in FY17-18 and amounts exceeding $544,645 in FY18-19 and subsequent years.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

/jdb